

Medellin, July 25, 2014

**With a new draft resolution for Council:
EPM aims to assess its position as a minority shareholder in Isagen to either remain with the company or sell its assets once the winner of the auction is revealed**

- Upon receiving authorization from the Council of Medellin, EPM will offer its stake to the cooperative industry
 - EPM aims to strengthen its position in order to improve its conditions as a minority shareholder in Isagen
 - EPM owns 13% of the energy company's shares

The Mayor's Office of Medellin withdrew Draft Resolution 240 of 2014 which requested authorization from the Council of Medellin to transfer all stocks and shares owned by EPM in Isagen (13%).

Next week, EPM will present a new draft resolution to the corporation that requests an authorization to offer its stake to the cooperative industry. This step is necessary for the company to have the ability to eventually participate in the Voluntary Public Tender Offer (*Oferta Pública de Adquisición Voluntaria*, OPAV). The new majority shareholder at Isagen should perform this OPAV within 60 days after the auction on August 22, 2014.

This first authorization would significantly boost EPM's negotiation capacity as a minority member of Isagen. It would leave open the possibility that the company could go back to the Council of Medellin with a second draft resolution that would help it sell its assets, once they are known: the amount paid per share in the bid; who is the new majority shareholder in the company and what are the conditions offered to EPM so that it continues to participate in the company as a minority shareholder.

If EPM has the authorization from the Council, the new majority owner would have the incentives necessary to come to agreement so that EPM stays with the company. The Council of Medellin, for its part, would have the elements required to make the best decision possible about whether EPM should remain with the energy generation company.

The national government decided to sell all of its shares in Isagen and this accounted for 57% of the company's share capital. With the arrival of a foreign majority shareholder (there are three private proponents and a state-owned company from China participating in the auction), EPM risks losing its stake's value, since it will not have any representation in making strategic decisions for the company.

The new majority shareholder would have control over Isagen. Despite being a minority shareholder, EPM had, up until now, the seventh a position on the Board of Directors. A good position as a minority shareholder would mean a Shareholder's Agreement that protects its rights and gives EPM the right to participate in important decisions like Board structure, the policy about dividends or keeping the share on the stock market. Draft Resolution 240, which EPM presented to the Council of Medellin three months ago, was withdrawn by the company last Thursday, July 24, 2014.

Why change this draft?

During the nationalization process for Draft Resolution 240, EPM received comments from city council members and representatives from different social backgrounds that enriched their proposal. The new draft resolution offers a clearer vision of the company's request. In addition, new text needed to be created after being rejected by three of the five people who judged the initial resolution.

The new agreement aims to make the necessary steps so that EPM is ready in terms of time and being able to fulfill requirements in order to participate in the OPAV. It will also give the company a better negotiating position with the new majority shareholder at Isagen in case the sales process of the national assets is successful.

Making these steps means counting on the authorization from the Council to sell to the cooperative sector so that whoever becomes the new majority shareholder at Isagen will consider that if an agreement cannot be reached with EPM, the company must buy the 13% stake from them for the same price per share offered in the stake controlled by the national government. This means the new majority shareholder must be ready to pay EPM an amount that is approximately 650 million U.S. dollars. This amount would be in addition to the base value of paying approximately 2.8 million U.S. dollars for this participation to the national government.

If EPM cannot count on the authorization of the Council of Medellin, it will be in a difficult negotiating position. Regardless of what happens in the auction or whoever wins, EPM should keep its stake in Isagen. The new majority shareholder, for its part, would not need to make any concession or negotiation with EPM to convince it to remain as a minority shareholder with the company. EPM's only pretense with processing this project is protecting its public assets by assessing its negotiating position and opening up all its strategic options.

More information

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